INCOMING TELEGRAM

## Department of State

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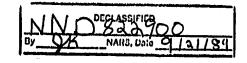
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-2- 1844, FEBRUARY 24, 11 AM, FROM BONN.

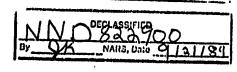
BERLIN WITH TAX AND FINANCIAL ADVANTAGES STRESSED; GOVT ORDERS, FOR BUNDESBAHN, BUNDESPOST, ETC., ORIGINALLY PLANNED FOR FUTURE BEING PLACED IN BERLIN NOW; CONSIDERABLY MORE FUNDS THAN LAST YEAR TO BE PROVIDED FOR INVESTMENT LOANS THROUGH ERP SPECIAL FUND.

## B. ON BCIC POLICY

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- (1) THIESSEN SPOKE OF REQUESTS FOR UNUSUALLY LARGE LOANS FROM LARGE AND MEDIUM SIZE FIRMS BEING PLACED ON LAST MEETING BCIC AGENDA. (IT APPEARED TO EMB OFFICERS BY INFERENCE THAT WORD GOT AROUND THAT FEDREP WOULD SUPPORT IN BCIC AS LARGE A LOAN PROGRAM AS POSSIBLE. THIESSEN COULD NOT SAY WHETHER THERE HAD BEEN A FALL-OFF IN LOAN REQUESTS FROM SMALL COMPANIES.)
- (2) IN LAST BCIC MEETING FEDREP REPS FOLLOWED PRINCIPLE OF FLEXIBILITY WITH RESPECT TO ADHERENCE TO ESTABLISHED RULES ON RESERVING FUNDS FOR ENTERPRISES WHICH CANNOT FIND FUNDS ELSEWHERE, AND PERMITTING LARGER THAN USUAL INDIVIDUAL LOANS. THIESSEN EXPRESSED PREFERENCE TO LEAVE EXISTING RULES ON POSTZABLOCK FUNDS UNCHANGED WHILE FOLLOWING ABOVE POLICY, PENDING FURTHER DEVELOPMENTS.
- (3) FEDREP WILL APPARENTLY SEEK ADDITIONAL FUNDS FOR LOAN OPERATIONS IF AND WHEN BCIC FUNDS ALLOCATED FOR THIS YEAR PREMATURELY EXHAUSTED.
- C. ON GUARANTEES OF ASSETS IN BERLIN IN EVENT POLITICAL
- (1) FEDREP HAS EXAMINED FEASIBILITY INCREASING INSURANCE PROTECTION AND GUARANTEES AGAINST VARIOUS TYPES OF RISKS MET IN BERLIN ARISING FROM POLITICAL INTERFERENCE AND HAS TURNED DOWN MOST PLANS. ESTABLISHMENT NEW TRANSPORT GUARANTEES, REPORTED REF C, REGRETTED IN SOME GOVT QUARTERS, THIESSEN STATES.

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- (2) BASIC REASONS FOR INSURANCE TURNDOWN POLICY ARE (A) ECONOMIC SITUATION GOOD AND HELPFUL RESPONSE BY BERLIN AND WEST GERMAN BUSINESS TO BERLIN "CRISIS" EXCEEDS ALL EXPECTATIONS (B) POSITIVE MEASURES DESCRIBED ABOVE PREFERABLE TO GUARANTEES (C) MERE CONSIDERATION GUARANTEE MEASURES BELIEVED COUNTERPRODUCTIVE AS WILL TEND INCREASE BUSINESS ANXIETY AND LEAD TO FALL-OFF ORDERS, INVESTMENT, (D) EXPERIENCE SHOWS THAT PREPARATION IN SECRET OF PLANS FOR BERLIN NOT POSSIBLE.
- (3) AT END INTERVIEW, EMB OFFICERS STATED THAT EMB WOULD

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